NCA
VOC FOR IOP/FN
BACKGROUNDER NO. 5-5548 FEBRUARY 24, 1978
FRED COOPER/NEW YORK

ALL CLEAR FOR ATLANTIC OIL SEARCH

ANNCR:

WITH THIS WEEK'S REFUSAL OF THE U-S SUPREME COURT TO INTERFERE WITH DEVELOPMENT OF OIL AND GAS LEASES OFF THE MID-ATLANTIC COAST, THE UNITED STATES' SEARCH FOR OIL IN ITS ATLANTIC WATERS IS READY TO BEGIN IN EARNEST. VOA'S FRED COOPER HAS THIS BACKGROUND REPORT.

VOICE:

WITHIN THREE WEEKS, THE HUGELY EXPENSIVE BUT EQUALLY PROMISING EFFORTS TO BRING IN OIL AND NATURAL GAS FROM THE UNITED STATES ATLANTIC CONTINENTAL SHELF WILL BEGIN. THE TEST DRILLING IN THE WATERS OFF NEW YORK AND NEW JERSEY WILL BE THE FIRST STEP IN WHAT PRESIDENT CARTER HAS CALLED "AN AGGRESSIVE OIL EXPLORATION POLICY ON THE ATLANTIC SEABOARD."

THE ADMINISTRATION AND THE U-S PETROLEUM INDUSTRY HOPE THAT DRILLING IN WHAT IS KNOWN AS THE BALTIMORE CANYON AREA WILL SOON BE FOLLOWED BY SIMILAR EFFORTS OFF THE ATLANTIC COASTS OF MASSACHUSETTS TO THE NORTH AND GEORGIA TO THE SOUTH.

NO ONE NOWS FOR SURE HOW MUCH OIL IS OUT THERE, BUT ESTIMATES FOR THE BALTIMORE CANYON AREA RANGE UP TO ONE POINT FOUR THOUSAND MILLION BARRELS OF OIL AND UP TO NINE POINT FOUR TRILLION CUBIC FEET OF NATURAL GAS. HOWEVER, EVEN THE MOST OPTIMISTIC PREDICTIONS FOR THE BALTIMORE CANYON RESERVES EQUAL NO MORE THAN ABOUT THREE PERCENT OF THE CURRENT OVERALL UNITED STATES OIL RESERVES. AND IN ANY EVENT, IT WILL BE MANY YEARS BEFORE THE ATLANTIC WELL'S PRODUCE OIL IN COMMERCIAL QUANTITIES.

NEVERTHELESS, OIL ANALYSTS ARGUE THAT EVEN A MODEST FIND IN THIS FIRST DRILLING AREA IN THE ATLANTIC WOULD MEAN ONE MORE

STEP AWAY FROM U-S DEPENDENCE ON FOREIGN ENERGY SOURCES. OIL ECONOMIST JOHN LICHTBLAU OF THE PETROLEUM INDUSTRY RESEARCH FOUNDATION SAYS THAT MOST LIKELY, ENOUGH OIL WILL BE DISCOVERED IN THE BALTIMORE CANYON TO JUSTIFY COMMERCIAL DEVELOPMENT. THE QUESTION IS: WILL THERE BE ENOUGH PRODUCTION TO JUSTIFY THE OIL INDUSTRY'S NEAR RECORD PAYMENT TO THE FEDERAL GOVERNMENT OF OVER ONE THOUSAND MILLION DOLLARS FOR EXPLORATION RIGHTS?

OFFSHORE OIL DRILLING IS NOTHING NEW IN THE UNITED STATES. THE COUNTRY HAS ALREADY DRILLED MORE THAN TWENTY THOUSAND WELLS IN THE WATERS OF ALASKA, AND CALIFORNIA AND IN THE GULF OF MEXICO. BUT THE ENVIRONMENTAL CHALLENGERS TO OFFSHORE DRILLING HAVE BEEN PARTICULARLY STRONG WITH THE PROSPECT OF OIL RIGS GOING UP ALONG THE HEAVILY POPULATED ATLANTIC COAST. THERE WERE EIGHTEEN MONTHS OF LEGAL BATTLES AGAINST OIL DRILLING LEADING UP TO THIS WEEK'S SUPREME COURT GO-AHEAD. AND THE PLANNED LATE-JANUARY SALE OF LEASES TO EXPLORE FOR A POTENTIAL TWO HUNDRED FIFTY THOUSAND MILLION BARRELS OF OIL OFF MASSACHUSETTS HAS ALSO BEEN POSTPONED. BUT U-S INTERIOR SECRETARY CECIL ANDRUS HAS PROMISED HE WILL NOT PERMIT ATLANTIC OIL PRODUCTION WITHOUT THE PROPER ENVIRONMENTAL SAFEGUARDS. THE U-S CONGRESS IS ALSO WORKING ON LEGISLATION PROVIDING FOR STRICT SAFETY PROCEDURES. THEIR GOAL IS A BALANCE BETWEEN CONCERN FOR THE ENVIRONMENT AND DEVELOPMENT OF A RESOURCE THAT MANY AMERICANS BELIEVE IS THE GREATEST HOPE FOR INCREASING DOMESTIC OIL AND GAS SUPPLIES DURING THE ENERGY-SHORT DECADES AHEAD.

-0-

JS/RTD